

CITY OF WALLA WALLA
Walla Walla County, Washington
January 1, 1992 Through December 31, 1992

Schedule Of Findings

1. City Officials Should Comply With Beneficial Interest Statutes

In December 1992, the City of Walla Walla sold \$12,365,000 of bonds through the Seattle office of Piper, Jaffray and Hopwood (PJH). Bill Fleenor, a city council member at the time and a broker for PJH, participates in his firm's profit sharing retirement plan.

Revised Code of Washington (RCW) 42.23.030 states, in part:

. . . No municipal officer shall be beneficially interested, directly or indirectly, in any contract which may be made by, through or under the supervision of such officer . . . or accept, directly or indirectly, any compensation, gratuity or reward in connection with such contract . . .

RCW 42.23.040 states, in part:

. . . A municipal officer shall not be deemed to be interested in a contract, the meaning of RCW 42.23.030, if he has only a remote interest in the contract and if the fact and extent of such interest is disclosed to the governing body of the municipality of which authorizes, approves, or ratifies the contract in good faith by a vote of its membership sufficient for the purpose without counting the vote or votes of the officer having the remote interest. As used in this section "remote interest" means: (1) That of a non-salaried officer of a nonprofit corporation . . . (2) That of an employee or agent of a contracting party where the compensation of such employee or agent consists entirely of fixed wages or salary . . .

Mr. Fleenor did not vote on the bond sale issues. City officials thought that process removed the beneficial interest question. However, because profits made by the firm of PJH will enhance the value of the profit sharing retirement plan, it appears that Mr. Fleenor, pursuant to RCW 42.23.030, had a beneficial interest in the contract for the bond sale.

We recommend the city establish procedures for disclosing and recording municipal officer's interest in contracts, and establish a policy on ethics which would cover such matters.

2. Delinquent Local Improvement District (LID) Assessments Should Be Foreclosed

Procedures for foreclosure on delinquent LIDs were established by city manager directive 2.041 on September 20, 1990. At December 31, 1992, the city had \$176,632 of delinquent assessments and interest. The amount of delinquencies has steadily grown from \$25,309 in 1986, when we first commented on the need for a formal foreclosure policy. As of the time of our audit, no foreclosure action had taken place. This issue was previously addressed in our 1987, 1988, 1989, 1990, and 1991 audit reports.

RCW 35.50.030 states, in part:

If on the first day of January in any year, two installments of any local improvement assessment are delinquent or in the final installment thereof has been delinquent for more than one year, the city or town shall proceed with the foreclosure of the delinquent assessment or delinquent installments thereof by proceedings brought in its own name in the superior court of the county in which the city or town is situate.

City officials have not set the priority high enough on the foreclosure of delinquent LID assessments.

In our opinion, foreclosure on delinquent LIDs should be done annually in accordance with statute to assure timely collections to properly service LID obligations.

We recommend the city proceed with the delinquent LID foreclosures in a timely manner.